ADMINISTRATIVE - INTERNAL USE ONLY

DATE: March 16, 1987

NOTE TO: ⬚   STAT

SUBJECT: Annuity Calculations

Dave,

   Again let me apologize for not getting back to you re subject. I was
waiting for CD and they were waiting for me. Clearly without your call
we would have never gotten together on this!!!
   However hopefully what follows will recoup some of my lost grace!!

   CD "supports" idea of OF paying annuities which OP/RAD will calculate
using same "system/application/algorithms" which OF/CD/RetirePay currently
uses for this purpose -- with following caveat:

        "OP/RAD must establish a review/audit function to ensure that all
        calculations produced by "system" are based on valid and complete
        input by the OP technicians."

   In discussing this with CD, I was told that OP does in fact have
all the data necessary to make annuity calculations but that all the data
is not consistently used in each case. Whether the data is or isn't used
seems to be more a result of the experience of the "OP annuity technician"
rather than anything else. As an example, apparently there are occasions when
an inexperienced RAD technician calculates annuity for an employee who was
around during the time that Nixon held up certain salaries; the technician
forgets that the salary information they (OP tech) have does not reflect the
recalculation of salary which the court ordered for those cases, and thus
mis-calculates the annuity. Other examples are those employees who have prior 57service w
which OP technicians have missed on
occasion - which were only picked up in OF's review based on SCD data.
Then too there's data in PERSIGN which by itself will lead a calculation
astray.

What came out of my discussions re above was a realization that in the past
OP has de facto turned to OF for quality control of OP technicians
calculations. That the few errors that are detected are those very unusual
cases which only an employee/technician who has been around and has been
doing this type of thing for quite a while would catch. And finally
that while OF still has a few of these oldtimers doing the retirement pay
process - OP does not..

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Which gets back to the caveat!

If OP can set up a review process which will ensure that someone reviews each case to ensure that all the data needed, was used to make the annuity calculation - then lets move to next step - OF merely pays based on the OP calculation.

What seems to be needed is for OP/RAD to set up something like OPM uses, ie., the adjudicator, in effect an auditor who reviews all the pre work and calculations the OPM techs make, compares that work against the complete record, ensures that all the documents support the annuity proposed - and then certifies those annuities for payment!!!

Can you, [   ] C/CD/OF and myself sit down and discuss details???   STAT

Again - sorry for "dropped ball"!!!!

[   ]   STAT
16 Mar 87

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File Your W-4 by 1 June

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IF YOU WANT TO BE SURE TO AVOID AN IRS PENALTY BECAUSE OF TAX UNDERWITHHOLDING, FILE YOUR W-4 BY 1 JUNE AND RETAIN YOUR WORKSHEET.

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You should be aware from previous guidance that you must fill out a W-4 form (either the original, or the revised version, when it becomes available) before 1 October 1987. What you may not know is that 1 June 1987 is a crucial date as well in ensuring that you do not incur an IRS penalty for tax underwithholding.

The importance of the 1 June date is this. If you file your W-4 form by 1 June 1987 "in good faith," but have had significant underwithholding anyway, IRS will waive the standard $500 penalty.

But if you file "in good faith" after 1 June 1987 and have significant underwithholding, you may be penalized.

(As a reminder, a penalty can be imposed if at least 90% of owed income tax is not paid during the year, either through withholding or estimated tax payments, or if an individual does not pay at least the same amount of tax he or she paid the previous year.)

We now have videotapes available of the 18 March Auditorium presentation on "Taking the Mystery Out of your W-4" by Ms. Victoria Alther and Mr. Jeffrey Bernstein, which provides a more detailed look at how to calculate your withholdings. To request the loan of a tape, call

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(nonsecure) or contact her on ____. AIM requests should include the employee's name, office designation, address and tape format (VHS, Beta, or 3/4-inch). A limited number of VHS tapes is also available in the Office of Training and Education's Learning Center in GF39 Headquarters.

DISTRIBUTION: ALL EMPLOYEES

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